

Introduction

What is this Guide?

The **FY 1997 Draft Cohort Default Rate Guide** (Guide) is a publication that the U.S. Department of Education (Department) sends to postsecondary schools (schools) with their draft cohort default rate data. **Draft cohort default rates are not released to the public.**

Under 34 CFR § 668.17(j), the Department provides a school the opportunity to review and correct cohort default rate data prior to the calculation of the official cohort default rates. In addition, the Higher Education Act of 1965, as amended (HEA) provides a school the opportunity to demonstrate, prior to the release of the official cohort default rates, that it has a relatively low number of students participating in the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (Direct Loan) Programs and as a result the school should retain its eligibility to participate in those programs. This guide provides instructions and guidance to schools and guaranty agencies on these processes.

The purpose of this guide is to assist schools in:

- ◆ understanding how a cohort default rate is calculated;
- ◆ reviewing loan record detail reports;
- ◆ submitting draft data challenges;
- ◆ understanding the replies received in response to a school's draft data challenge;

AND

- ◆ submitting participation rate index challenges.

This guide is about cohort rates calculated for the FFEL Program and/or Direct Loan Program. This guide does NOT discuss Federal Perkins Program cohort default rates. For information on Federal Perkins Program cohort default rates, please call (202) 708-7741.

What is a draft data challenge?

After the release of the draft cohort default rates the Department provides schools an opportunity to review and, if necessary, correct the data that will be used to calculate the official cohort default rates. The process of correcting data included in the draft cohort default rates is called a draft data challenge. It is very important that a school review its draft cohort default rate data and, if necessary, submit a draft data challenge. **If a school fails to submit a draft data challenge, it will be unable to correct certain data errors after the release of the official cohort default rates.**¹

Please refer to the “Challenging Draft Data” section beginning on page 37 for more information on submitting draft data challenges.

What is a participation rate index challenge?

The HEA Amendments of 1998 include a provision which allows schools to submit a participation rate index challenge after the release of the draft cohort default rates.² A participation rate index challenge demonstrates that a school’s participation rate in the FFEL Program and/or Direct Loan Program is so low that when it is multiplied by its cohort default rate, the resulting index is 0.0375 or lower.

Please refer to the “Participation Rate Index Challenge” section beginning on page 57 for more information on how to submit a participation rate index challenge and the benefits gained for submitting such a challenge.

Why should a school use this guide as a reference?

A school should review this guide to understand how cohort default rates are calculated and ensure that it follows the guidelines and time frames for challenging draft cohort default rate data and/or submitting a participation rate index challenge. The Department recommends that **all schools** read the **entire guide**. This will ensure that schools do not overlook any guidance.

¹ 34 CFR § 668.17(j)(7)

² HEA Amendments of 1998, § 435(a)(6)